

*Suzanne Henderson*

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**OIL AND GAS LEASE**

**TWO YEAR PAID UP**

**THE STATE OF TEXAS     §**  
**§**  
**COUNTY OF TARRANT   §**

**THIS AGREEMENT ("Lease")** is made and entered into this 4<sup>th</sup> day of April, 2008, by and between **Arlington Independent School District ("AISD")**, an independent school district of the State of Texas located within Tarrant County, Texas, (hereinafter referred to as "Lessor"), and, **CARRIZO OIL & GAS, INC.**, (hereinafter referred to as "Lessee").

**WITNESSETH:**

**1.**

**GRANTING CLAUSE**

Lessor, in consideration of a cash bonus in hand paid, of the royalties herein provided, and of the agreements of Lessee hereinafter contained, hereby grants, leases, and lets exclusively unto Lessee for the sole purpose of investigating, exploring, conducting seismic, drilling, operating, and producing oil and/or gas from the land leased hereunder, together with any liquid or gaseous substances produced in association with oil and gas, the following described land situated in the City of Arlington, Tarrant County, Texas described in Exhibit "A" attached hereto, including any small strips or parcels of land now owned by Lessor which are contiguous or adjacent to the land and intended to be included hereunder (the "leased premises"). The bonus paid hereunder is consideration for this Lease and not rental for a period .

All mineral substances and mineral rights other than oil and gas (and all other liquid or gaseous minerals produced in association with oil or gas) are expressly reserved to Lessor and excepted from this Lease. These reserved mineral rights include, but are not limited to, the rights to lignite, coal and sulfur not produced as a component of oil and gas.

For the purpose of determining the amount of any bonus or other payment hereunder, said leased premises shall be deemed to contain **116.74** acres, whether actually containing more or less.

2.

**PRIMARY TERM**

Subject to the other provisions herein contained, this Lease shall be for a term of two (2) years from the date of the notarial acknowledgment of Lessor's execution of this instrument (hereinafter called "primary term") and so long thereafter as oil, gas or other minerals granted herein are produced from the leased premises or lands pooled therewith, in paying quantities, or drilling operations are in progress thereon as hereinafter provided, and the royalties are paid as provided herein. If a test well capable of producing oil and gas in paying quantities is completed on a spacing unit including a portion of the leased premises during the initial two (2) year primary term, then Lessee may extend the primary term an additional two (2) years by paying an amount equal to the remaining acres not included in a producing spacing unit times the bonus per acre consideration paid by Lessee for this lease; and provided, however, rights below the stratigraphic equivalent of one hundred feet (100') below the base of the deepest producing formation in the test well will not be covered by the two (2) year extension. Lessor and Lessee will enter an agreement evidencing the extension of the lease and Lessee will file same of record in the office of the County Clerk in the County where the leased premises are located.

3.

**DELAY RENTALS**

Notwithstanding anything in this lease to the contrary, Lessee shall prepay the delay rentals separately from the bonus at the time of signing this lease and the lease shall be considered a paid up lease for the first two year primary term.

If actual drilling is not commenced on the leased premises or on any lands pooled therewith on or before twelve (12) months from the date of this Lease, this Lease shall automatically terminate, unless on or before such anniversary date Lessee shall pay to Lessor or to the credit of Lessor, the sum of FIVE THOUSAND EIGHT HUNDRED AND THIRTY NINE DOLLARS (\$5839) (hereinafter called "rental") which shall cover the privilege of deferring commencement of drilling operations for a period of twelve (12) months. The payment of rentals may be made by the check of Lessee delivered to Lessor on or

before such date of payment. If the rental is not paid on or before the date it is due, then this Lease will automatically terminate. Upon termination, Lessee shall prepare, execute and deliver to Lessor a recordable release covering the leased premises in accordance with this Lease. Lessee may at any time or times execute and deliver to Lessor, a release or releases of this Lease as to all or any part of the leased premises, and thereby be relieved of all obligations as to the released land or interest, except for the indemnification obligations described in Section 16 and the plugging obligations of this Lease. If a portion of the lands covered by this Lease is released, the rentals and shut-in royalty payments computed in accordance therewith shall be reduced by the proportion that the number of surface acres within such released portion bears to the total number of surface acres which were covered by this Lease immediately prior to such release.

#### 4.

#### **ROYALTIES**

Lessee shall pay to Lessor the following royalties, which shall be free of all costs of any kind, including, but not limited to, costs of gathering, production, transportation, treating, compression, dehydration, processing, marketing, trucking or other expense, directly or indirectly incurred by Lessee, whether as a direct charge or a reduced price or otherwise. In this regard, Lessee agrees to bear one hundred percent (100%) of all costs and expenses incurred in rendering hydrocarbons produced on or from the leased premises marketable and delivering the same into the purchaser's pipeline for immediate transportation to an end user or storage facility. Additionally, said royalties shall never bear, either directly or indirectly, under any circumstances, the costs or expenses (including depreciation) to construct, repair, renovate or operate any pipeline, plant, or other facilities or equipment used in connection with the treating, separation, extraction, gathering, processing, refining, compression, transporting, manufacturing or marketing of hydrocarbons produced from the leased premises or lands pooled therewith.

A. On oil, gas (including flared gas) and casinghead gas, together with any other liquid or gaseous hydrocarbons recovered by Lease operations (such as in drips or separators) Twenty Five

percent (25%) of the proceeds of the sale or of the market value thereof, whichever is higher. Such proceeds of oil, gas and casinghead gas, together with any other liquid or gaseous hydrocarbons recovered by Lease operations, is to be delivered free of cost at the well or to the credit of the Lessor into pipelines, gathering lines, barges or other facilities to which the wells and tanks on the property may be connected. Lessor shall always have the right, at any time and from time to time, upon reasonable written notice to Lessee, to take Lessor's share of oil, gas and processed liquids in kind, at Lessor's sole risk and expense. Lessor may elect to take Lessor's gas in kind at the well, or at the point of delivery where Lessee delivers Lessee's gas to any third party, at Lessor's sole risk and expense. If gas is processed, Lessor may elect to take Lessor's share of the residue gas attributable to production from the leased premises, at the same point of delivery where Lessee receives its share of residue gas or has its share of residue gas delivered to a third party. Lessor may elect to have its royalty share of processed liquids stored in tanks at the plant or delivered into pipelines on the same basis as Lessee's share of liquids is stored or delivered. **Lessor shall reimburse Lessee for all reasonable costs actually incurred by Lessee and paid to a party other than an affiliate in installing, operating or maintaining additional facilities necessary for Lessor's royalty gas and processed liquids to be separately metered, accounted for, and delivered to a third party, but Lessor shall not be charged for any expense in the production, gathering, dehydration, separation, compression, transportation, treatment, processing or storage of Lessor's share of gas and processed liquids. An "affiliate" includes, but is not limited to, the parent company or a subsidiary of Lessee, a corporation or other entity having common ownership with Lessee, a partner or joint venturer of Lessee with respect to the ownership or operation of the processing plant, a corporation or other entity in which Lessee owns a ten percent or greater interest, or any individual, corporation or other entity that owns a ten percent or greater interest in Lessee.**

B. On products, Twenty five percent (25%) of the proceeds.

C. On residue gas or gas remaining after separation, extraction or processing operations, Twenty Five percent (25%) of the proceeds.

D. For purposes of this Paragraph 4, the term "market value" shall mean for gas and products therefrom (i) the gross price at which gas or products therefrom are sold pursuant to a Gas Contract, as defined below, that is ratified by Lessor according to Paragraph G below or (ii) if not sold pursuant to a Gas Contract, as defined below, ratified by Lessor and Lessee, the highest gross price reasonably obtainable for the quantity of gas or products available for sale, through good faith negotiations for gas or products produced from the leased premises at the place where such gas or product is available for sale on the date of such a contract with adequate provisions for redetermination of price at intervals of no less frequency than one (1) year to ensure that the production is being sold for no less than the current market price. Included within the definition of "Market Value" as used herein is the presumption that Gas Contracts that are ratified by Lessor are arms-length contracts with purchasers who are not affiliates of Lessee. In no event shall "market value" ever be less than the amount actually received by the Lessee for the sale of hydrocarbons.

E. This Lease is intended to cover only oil and gas, but some other substances (including helium and sulphur) may be produced necessarily with and incidental to the production of oil or gas from the leased premises; and, in such event, this Lease shall also cover all such other substances so produced. On all such substances so produced under and by virtue of the terms of this Lease, Lessor shall receive a royalty of Twenty Five percent (25%) of all such substances so produced and saved, same to be delivered to Lessor, free of all costs; or, at Lessor's election, Lessor's Twenty five percent (25%) of such substances shall be sold by Lessee with Lessee's portion of such substances and at the same profit realized by Lessee for its portion of such substances.

F. All royalties hereinabove provided shall be payable in cash (unless Lessor elects to take such royalty oil or gas in kind) to Lessor within one-hundred and twenty (120) days following the first commercial sale of production and thereafter no more than thirty (30) days after the end of the month following the month during which production takes place for oil and no more than sixty (60) days after the end of the month following the month during which production takes place for gas.. Subject to the provisions of Paragraph 10 of this Lease concerning shut-in wells, royalties shall be paid to Lessor by

Lessee and/or its assigns or by the product purchaser for oil and/or gas. Upon the failure of any party to pay Lessor the royalty as provided in this paragraph, Lessor may, at Lessor's option, elect to terminate this Lease by sending written notice to Lessee. Lessee shall then have thirty (30) days from the date of service of such written notice is received by Lessee in which to avoid termination of this Lease by making or causing to be made the proper royalty payment or payments that should have been paid. If such royalty payment is not made on or before the expiration of the 30-day period, or written approval is not obtained from Lessor to defer such payment, Lessor may elect to terminate this Lease by filing a Notice of Termination with the County Clerk in the county where the leased premises are located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk.

G. Lessee agrees that it will not enter into any contract for the sale, delivery, transporting or processing of gas produced from the leased premises which shall extend more than two (2) years from the effective date of such sales contract unless such contract has adequate provisions for redetermination of price at intervals of no less frequency than one (1) year to ensure that production from this Lease is not being sold for less than the then current market value. At least thirty (30) days prior to the delivery or the execution of any contract for the sale, delivery, transporting or processing of gas produced from the leased premises, Lessee shall provide Lessor with a complete copy of each proposed contract for the purchase, transportation and/or processing of such gas that Lessee intends to execute (each a "Gas Contract"), whereupon, Lessor shall have fifteen (15) days within which to either ratify such Gas Contract or notify Lessee in writing that it does not approve of such Gas Contract, including a statement of the reasons that Lessor does not approve of such Gas Contract (Lessor's failure to respond within the fifteen (15) days either by ratification or by written notice that it does not approve of the proposed Gas Contract shall be deemed to be Lessor's ratification of such Gas Contract). If Lessor ratifies the Gas Contract, Lessor shall be deemed bound by the terms of such Gas Contract (and, at Lessee's option, Lessor shall execute such Gas Contract as a party thereto) and the gas or products therefrom sold pursuant to such Gas Contract shall be deemed sold at market value based on the gross price stated

therein. Lessee shall not amend or modify any material terms of a Gas Contract ratified by Lessor without the prior written consent of Lessor, which shall not be unreasonably withheld. If Lessor does not approve of a Gas Contract, Lessee shall consult with Lessor in an effort to agree to the terms of the proposed Gas Contract, and if the other party or parties to the Gas Contract agree to the changes or modifications to the Gas Contract which are proposed by Lessor in order for Lessor to ratify such Gas Contract, then Lessor shall be deemed to have ratified such Gas Contract (and, at Lessee's option, Lessor shall execute such Gas Contract as amended and modified, as a party thereto). If Lessor and Lessee cannot agree on the terms of a Gas Contract that are acceptable to the other party or parties thereto, Lessee may elect to execute such Gas Contract and sell, deliver, transport and process gas according to the terms thereof, subject to the other terms of this Paragraph 4 concerning the payment of Lessor's royalty on gas and products there from, including the right of Lessor to take its share of gas in kind. **In the event Lessor elects to take and separately dispose of its royalty share of gas, the parties shall enter into a mutually acceptable balancing agreement providing for (a) the right of an under produced party to make up an imbalance by taking up to 150 percent of its share of production in any month other than November, December, January or February, and (b) an obligation to settle any imbalance remaining after depletion in cash, based on the proceeds received by the overproduced party when the imbalance was created, or if the overproduced party's gas was used but not sold, based on the Market Value of the gas when imbalance was created.**

H. In the event Lessee enters into a gas purchase contract which contains what is commonly referred to as a "take or pay provision" (such provision meaning that the gas purchaser agrees to take delivery of a specified minimum volume or quantity of gas over a specified term at a specified price or to make minimum periodic payments to the producer for gas not taken by the purchaser) and the purchaser under such gas purchase contract makes payment to Lessee by virtue of such purchaser's failure to take delivery of such minimum volume or quantity of gas, then Lessor shall be entitled to Twenty Five percent (25%) of all such sums paid to Lessee or producer under the "pay" provisions of

such gas purchase contract. Such royalty payments shall be due and owing to Lessor within thirty (30) days after the receipt of such payments by Lessee. If the gas purchaser "makes up" such gas within the period called for in the gas contract and Lessee is required to give such purchaser a credit for gas previously paid for but not taken, then Lessor shall not be entitled to royalty on such "make up" gas. If Lessee is not producing any quantities of gas from the leased premises but is receiving payments under the "pay" portion of such "take or pay" gas purchase contract provision, such payments shall not relieve Lessee of the duty to make shut-in royalty payments if Lessee desires to continue this Lease, but such "take or pay" royalty payments shall be applied as a credit against any shut-in royalty obligation of the Lessee. Lessor shall be a third-party beneficiary of any gas purchase contract and/or transportation agreement entered into between Lessee and any purchaser and/or transporter of Lessor's gas, irrespective of any provision of said contracts to the contrary, and such gas purchase contract and/or transportation agreement will expressly so provide. Further, Lessor shall be entitled to Twenty Five percent (25%) of the value of any benefits obtained by or granted to Lessee from any gas purchaser and/or transporter for the amendment, modification, extension, alteration, consolidation, transfer, cancellation or settlement of any gas purchase contract and/or transportation agreement.

I. Lessee agrees that before any gas produced from the leased premises is used or sold off the leased premises, it will be run, free of cost to Lessor, through an adequate oil and gas separator of a conventional type or equipment at least as efficient, to the end that all liquid hydrocarbons recoverable from the gas by such means will be recovered and Lessor properly compensated therefor.

J. Any payment of royalty or shut-in gas royalty hereunder paid to Lessor in excess of the amount actually due to the Lessor shall nevertheless become the property of the Lessor if Lessee does not make written request to Lessor for reimbursement within one (1) year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not the collecting agent for any other royalty owner under the lands covered hereby, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly



agreed and understood that: (i) this provision shall in no way diminish the obligation of Lessee to make full and punctual payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease, and (ii) any overpayments made to the Lessor under any provisions of this Lease shall not be entitled to be offset against future amounts payable to parties hereunder.

K. The terms of this Lease may not be amended by any division order and the signing of a division order by any mineral owner may not be made a prerequisite to payment of royalty hereunder.

L. Oil, gas or products may not be sold to a subsidiary or affiliate of Lessee as defined herein without the Lessor's prior written permission.

M. Lessee shall pay Lessor royalty on all gas produced from a well on the leased premises and sold or used off the leased premises, regardless of whether or not such gas is produced to the credit of Lessee or sold under a contract executed by or binding on Lessee. Should gas be sold under a sales contract not binding on Lessee, Lessor's royalty will be calculated based on the highest price paid for any of the gas produced from the well from which such gas is produced. In no event will the price paid Lessor for Lessor's share of gas be less than the price paid Lessee for Lessee's share of gas.

## 5.

### POOLING

Lessee shall provide at least 15 days prior written notice to Lessor before recording any pooled unit declaration. Lessee is hereby given the right to pool or combine the acreage covered by this Lease or any portion thereof as to oil and gas, or either of them with any other land, lease or leases in the immediate vicinity thereof to the extent hereinafter stipulated, when it is necessary or advisable to do so in order to properly explore, or develop, produce and operate said leased premises in compliance with the spacing rules of the appropriate lawful authority, or when to do so would promote the conservation of oil and gas in and under and that may be produced from said premises. In the absence of field rules, units pooled hereunder shall not exceed 40 acres each in area provided that should governmental authority having jurisdiction prescribe or permit the creation of units larger than those specified (including, for example, for a horizontal well), for the drilling or operations of a well at a regular location or for

obtaining maximum allowable from any well to be drilled, drilling or already drilled, units thereafter created may conform in size with those prescribed by governmental regulations. Lessee, under the provisions hereof, may pool or combine acreage covered by this Lease or any portion thereof as above provided as to oil in any one or more strata and as to gas in any one or more strata. The units formed by pooling as to any stratum or strata need not conform in size or area with the unit or units into which the Lease is pooled or combined as to any other stratum or strata, and oil units need not conform as to area with gas units. The pooling in one or more instances shall not exhaust the rights of the Lessee hereunder to pool this Lease or portions thereof into other units. Lessee shall file for record in the appropriate records of the county in which the leased premises are situated an instrument describing the pooled acreage as a pooled unit. In this regard, Lessee shall provide Lessor with a copy of any and all documents filed with any regulatory authority or recorded in the records of any county within thirty (30) days of filing such documents. Upon the recordation of the unit in the county records and the timely furnishing of the copies required herein to Lessor the unit shall be effective as to all parties hereto, their heirs, successors, and assigns, irrespective of whether or not the unit is likewise effective as to all other owners of surface, mineral, royalty or other rights in land included in such unit. Lessee may at its election exercise its pooling option before or after commencing operations for or completing an oil or gas well on the leased premises, and the pooled unit may include, but it is not required to include, land or leases upon which a well capable of producing oil or gas in paying quantities has theretofore been completed or upon which operations for the drilling of a well for oil or gas have theretofore been commenced. In the event of operations for drilling on or production of oil or gas from any part of a pooled unit which includes all or a portion of the land covered by this Lease, such operations shall be considered as operations for drilling on or production of oil and gas from land covered by this Lease whether or not the well or wells be located on the premises covered by this Lease and in such event operations for drilling shall be deemed to have been commenced on said land within the meaning of this Lease. For the purpose of computing the royalties to which owners of royalties and payments out of production and each of them shall be entitled on production of oil and gas, or either of them, there shall be allocated to the land covered by this Lease

and included in said unit (or to each separate tract within the unit if this Lease covers separate tracts within the unit) a pro rata portion of the oil and gas, or either of them, produced from the pooled unit. Royalties hereunder shall be computed on the portion of such production, whether it be on oil and gas, or either of them, so allocated to the land covered by this Lease and included in the unit just as though such production were from such land. The production from an oil well will be considered as production from this Lease or oil pooled unit from which it is producing and not as production from a gas pooled unit; and production from a gas well will be considered as production from this Lease or gas pooled unit from which it is producing and not from an oil pooled unit. The formation of any unit hereunder shall not have the effect of changing the ownership of any delay rental or shut-in production royalty which may become payable under this Lease, except that the amount of such shut-ins shall be proportionately reduced to the lands pooled. The parties hereto acknowledge that this Lease covers numerous separate (non-contiguous) tracts of land. The mere inclusion of any one or more tracts in this Lease does not create a community lease that pools or unitizes such tracts; each tract included within Exhibit "A" attached herein shall be treated as a separate tract from the other and shall be treated as a separate lease standing alone from the other. If this Lease now or hereafter covers separate tracts, no pooling or unitization of royalty interest as between any such separate tracts is intended or shall be implied or result merely from the inclusion of such separate tracts within this Lease but Lessee shall nevertheless have the right to pool as provided above with consequent allocation of production as provided above. As used in this paragraph, the words "separate tract" mean any tract with royalty ownership differing, now or hereafter, either as to parties or amounts, from that as to any other part of the leased premises. Notwithstanding anything to the contrary hereinabove, in instances where Lessor has sufficient acreage to comprise at least 50% of a unit, then no unit may be formed unless at least 50% of the unit is comprised of the leased premises.

Notwithstanding anything herein to the contrary, in the event Lessee commences drilling operations for a horizontal well Lessee is granted the right to pool up to 640 acres plus a 10% tolerance. However, if Lessee does not drill Four (4) or more horizontal wells within such unit, Lessee must reduce the size of the unit so it does not exceed 320 acres plus 10% tolerance.

6.

**CONTINUOUS DRILLING**

At the expiration of the primary term this Lease shall remain in full force and effect for so long as Lessee is conducting Continuous Drilling Operations (as herein defined). Lessee shall be considered to be engaged in Continuous Drilling Operations at the expiration of the primary term if: (1) Lessee is then engaged in drilling operations on the leased premises or lands pooled therewith or (2) Lessee has completed a well as a producer or as a dry hole within ninety (90) days prior to the expiration of the primary term. Lessee also shall be considered to be engaged in Continuous Drilling Operations for so long thereafter as Lessee conducts drilling operations on the leased premises, or lands pooled therewith, with due diligence and with intervals of no more than ninety (90) days between the date of completion of one well and the date of commencement of drilling operations on an additional well. "Completion" shall be considered to be the date of release of the completion rig for a completed well, but in no event more than ninety days following the release of the drilling rig. In the case of a dry hole, "completion" shall be considered to be the date of release of the drilling rig. "Commencement" shall be the actual spud date of a well. Continuous Drilling Operations shall be deemed to have ceased upon the failure of Lessee to commence drilling operations on an additional well within such 90 day period. When the Continuous Drilling Operations cease, the provisions of Paragraph 7 will be applicable.

7.

**RETAINED ACREAGE**

A. Vertical Wells

At the expiration of the primary term of this Lease or upon the termination of the continuous drilling program set forth in Paragraph 6, each non-horizontal well drilled hereon capable of producing in paying quantities will hold only forty (40) acres for any formation from the surface to the base of the Barnett Shale formation. As to depths below the base of the Barnett Shale Formation, the proration unit shall be the minimum size necessary to obtain the maximum production allowable. If the proration unit for a well completed below the base of the Barnett Shale Formation is larger than 40 acres, the well may

maintain the Lease as to formations above the base of the Barnett Shale Formation as to not more than 40 acres. All other acreage except that included in a proration unit or pooled unit as described above will cease to be covered by this Lease and will be released. To the extent possible, each such proration unit will be in the shape of a square, with the bottom of the well in the center. Further, it is understood and agreed that Lessee shall earn depths as to each proration unit or pooled unit only from the surface down a depth which is the stratigraphic equivalent to a depth of one hundred feet (100') below the deepest producing formation in such well which is capable of producing oil and gas in paying quantities at the expiration of the primary term of this Lease or upon the termination of the continuous drilling program set forth in Paragraph 6, or if this lease is not held under any other lease provision contained herein. This Lease will terminate at such time as to all depths below such depths as to each respective proration unit or pooled unit. If production should thereafter cease as to acreage included in a proration unit or pooled unit and this lease is not otherwise held, this Lease will terminate as to such acreage unless Lessee commences reworking or additional drilling operations on such acreage within ninety (90) days thereafter and continues such reworking or additional drilling operations until commercial production is restored thereon, provided that if more than ninety (90) days elapse between the abandonment of such well as a dry hole and the commencement of actual drilling operations for an additional well, or more than ninety (90) days pass since the commencement of reworking operations without the restoration of commercial production, this Lease shall terminate as to the applicable proration unit or pooled unit.

At any time or times that this Lease terminates as to all or any portion of the acreage of the leased premises, Lessee shall promptly execute and record in the office of the County Clerk in the County where the leased premises are located, a proper release of such terminated acreage and shall furnish executed counterparts of each such release to Lessor at the address shown in Paragraph 19 hereof.

B. Horizontal Wells

It is expressly understood and agreed that, subject to the other terms, provisions and limitations contained in this Lease, Lessee shall have the right to drill "horizontal wells" under the leased premises,

or lands pooled therewith. The term "horizontal well" or "horizontally drilled well" shall mean any well that is drilled with one or more horizontal drainholes having a horizontal drainhole displacement of at least five hundred eighty-five (585) feet. For the purposes of further defining the term "horizontal wells" and "horizontally drilled" reference is made to the definitions contained within Statewide Rule 86, as promulgated by the Railroad Commission of Texas, which definitions are incorporated herein for all purposes.

In the event of any partial termination of the Lease as provided in Paragraph 7B, then, with regard to a well which is a horizontal well or a horizontally drilled well, Lessee shall be entitled to retain all formations and horizons at all depths from the surface down to a depth which is the stratigraphic equivalent of a depth of one hundred (100) feet below the base of the deepest producing formation in such well which is capable of producing oil and gas in paying quantities, but only in a spacing unit the area or number of acres of which are equal to the area or number of acres determined by adding twenty (20) acres for each five-hundred eighty-five (585) feet horizontally drilled to the original forty (40) acres deemed to be a proration unit for each vertical well. Each such tract around each horizontally drilled well shall be as nearly in the shape of a square or a rectangle as is practical with the boundaries of the tract including the entire horizontal drainhole and the lateral boundaries of such tract being approximately equal distance from such drainhole and parallel thereto.

If production should thereafter cease as to acreage included in a proration unit or pooled unit, this Lease will terminate as to such acreage unless Lessee commences reworking or additional drilling operations on such acreage within ninety (90) days thereafter and continues such reworking or additional drilling operations until commercial production is restored thereon, provided that if more than ninety (90) days pass between the abandonment of such well and the commencement of actual drilling operations for an additional well, or more than ninety (90) days pass since the commencement of reworking operations without the restoration of commercial production, the Lease shall terminate as to the applicable proration unit unless this lease is held by other provisions contained herein.

At any time or times that this Lease terminates as to all or any portion of the acreage of the leased

premises, Lessee shall promptly execute and record in the office of the County Clerk in the County where the leased premises are located, a proper release of such terminated acreage and shall furnish executed counterparts of each such release to Lessor at the address shown in Paragraph 19 hereof.

**8.**

**OFFSET OBLIGATIONS**

In the event a well or wells producing oil or gas should be brought in on land within **467** feet from any boundary of the leased premises, or within 330 feet from any boundary of the leased premises if a horizontal Barnett Shale well, Lessee agrees within one hundred eighty (180) days from commencement of production from such well or wells to commence the actual drilling of an offset well or wells on the leased premises, as would a reasonably prudent operator under similar circumstances; provided that the well or wells which are to be offset are producing in paying quantities; or Lessee shall release to Lessor free of this Lease **sufficient acreage to allow for the drilling of an offset well or wells.**

**9.**

**FORCE MAJEURE**

A. The term "force majeure" as used herein shall mean and include: requisition, order, regulation, or control by governmental authority or commission; exercise of rights or priority or control by governmental authority for national defense or war purpose resulting in delay in obtaining or inability to obtain either material, equipment or means of transportation normally necessary in prospecting or drilling for oil, gas or other mineral granted herein, or in producing, handling or transporting same from the leased premises; war, scarcity of or delay in obtaining materials or equipment; lack of labor or means of transportation of labor or materials; acts of God; insurrection; flood; strike; or other things beyond the reasonable control of Lessee, including pipeline construction delays. The term "force majeure" shall not include any other events affecting only the economic or financial aspects of drilling, development or

production.

B. Notwithstanding any other provisions of this Lease, but subject to the conditions hereinafter set forth in this Paragraph 9, should Lessee be prevented by "force majeure" as defined above, from conducting drilling or reworking operations on, or producing oil, gas or other mineral from, the leased premises, such failure shall not constitute a ground for the termination of this Lease or subject said Lessee to damages therefor; and the period of time during which Lessee is so prevented shall not be counted against Lessee, but this lease shall be extended for a period of time equal to that during which such Lessee is so prevented from conducting such drilling or reworking operations on, or producing oil, gas or other minerals from such leased premises, provided, however, that in no event will the primary term be extended more than 30 days beyond the expiration of the primary term unless Lessee has begun actual operations for the drilling of a well prior to the expiration of the primary term and Lessee commences actual drilling of a well within 30 days after the expiration date of the lease. All of the provisions of this paragraph are subject to each of the following express conditions:

The terms and conditions of this paragraph shall not extend beyond the expiration date of any law, order, rule or regulation invoked under this paragraph, and shall be applicable and effective only during the following periods:

- (1) If the force majeure shall occur during the primary term of this Lease, it shall not operate to extend this Lease more than two (2) consecutive years beyond the expiration of the primary term.
- (2) If the force majeure shall occur during a ninety (90) day drilling or reworking period provided for in Paragraphs 6 and 7 hereof, after the primary term has expired, then it shall not operate to extend the Lease more than two (2) successive years beyond the expiration of such ninety (90) day periods.

C. None of the provisions of this paragraph shall ever be or become effective and applicable unless Lessee shall, within a reasonable time (not to exceed sixty (60) days in any event) after occurrence of the claimed event of force majeure above referred to, notify the Lessor, in writing, of such occurrence



with full particulars thereof.

D. The terms of this paragraph do not apply to monetary payments due under the terms of this Lease.

10.

**SHUT-IN GAS WELL PROVISIONS**

If at any time while there is a gas well on the leased premises or land pooled therewith which is capable of producing gas in paying quantities, but the production thereof is shut-in or suspended for any reason, and if this Lease is not then continued in force by some other provision hereof, then this Lease shall nevertheless continue in force as to such well and the pooled unit or proration unit allocated to it for a period of sixty (60) days from the date such well is shut-in. Before the expiration of any such sixty (60) day period, Lessee or any Assignee hereunder may pay or tender to the Lessor a shut-in royalty equal to its prorated portion of Ten Thousand Dollars (\$10,000.00) per shut-in gas well, where allocation of such shut-in royalty shall be based upon the proportion of the total number of mineral acres that the leased premises contributes to the total number of mineral acres in the pooled unit where a gas well(s) is shut-in, and if such payment or tender is timely made, this Lease shall continue in force but only as to said well or wells and the proration unit or the pooled unit allocated to it or them and it shall be considered that gas is being produced from said well or wells in paying quantities for one (1) year from the date such well or wells are shut-in, and in like manner an additional shut-in royalty payment may be made or tendered and it will be considered that gas is being produced from said well or wells in paying quantities for such additional one (1) year period as well, provided, however, a well may not be shut-in for more than two (2) consecutive years nor more than three (3) years out of a five (5) year period. In the event a well is shut-in for more than two (2) consecutive years, or more than three (3) years out of a five (5) year period, then this lease will expire as to those lands included in the unit covering such shut-in well.

Lessee shall not be entitled to recover any shut-in royalty payments from the future sale of gas. Should such shut-in royalty payments not be made in a timely manner as provided in this section, it will be considered for all purposes that there is no production and no excuse for delayed production of gas from

any such well or wells, and unless there is then in effect other preservation provisions of this Lease, this Lease shall terminate, subject to the other provisions contained herein. Lessee shall pay or tender directly to the Lessor at the address as shown in Paragraph 19 all shut-in royalty payments as required by this Lease.

11.

**INFORMATION, ACCESS AND REPORTS**

A. Lessor shall have free access at all times to all wells, tanks, and other equipment that services wells under the leased premises, including drilling wells, and Lessee agrees to furnish Lessor, or Lessor's nominee, currently and promptly, upon written request, with full well information including cores, cuttings, samples, logs (including Schlumberger and other electrical logs), copies and results of deviation tests and directional and seismic surveys, and the results of all drill stem tests and other tests of other kind or character that may be made of wells on the leased premises. Lessor or Lessor's nominee shall be furnished with and have free access at all times, upon written notice to Lessee and during normal business hours, to Lessee's books and records relative to the production and sale of oil, gas or other minerals from the leased premises, including reports of every kind and character to governmental authorities, State or Federal. Upon written notice to Lessee, Lessor shall have the right at its election and expense to employ gaugers or install meters to gauge or measure the production of all minerals produced from the leased premises, and upon written notice to Lessee, Lessee agrees to prepare and deliver to Lessor or Lessor's gauger or nominee duplicate run or gauge tickets for all minerals removed from the premises. Lessee shall furnish to Lessor daily drilling reports on each well drilled.

B. Lessee shall furnish to Lessor, within a reasonable time after its execution, a copy of any gas purchase contract or transportation agreement entered into in connection with the leased premises, or if there is already a gas purchase contract or transportation agreement in effect due to Lessee's operations in the field, then a copy of that contract. Furthermore, a copy of any amendments to the gas purchase contract or transportation agreement shall be furnished said Lessor within thirty (30) days after execution thereof; and on written request of Lessor and without cost to the Lessor, Lessee shall furnish Lessor a copy of the

following reports: core record, core analysis, well completion, bottom hole pressure measurement, directional survey records, electrical and induction surveys and logs, gas and oil ratio reports, paleontological reports pertaining to the paleontology of the formations encountered in the drilling of any wells on the leased premises provided said reports are possessed by Lessee, **or can be reasonably** obtained by Lessee, and all other reports which pertain to the drilling, completing or operating of the wells located on the leased premises. Such information shall be solely for Lessor's use, and Lessor shall in good faith attempt to keep same confidential for twelve (12) months after receipt.

C. Lessee shall advise Lessor in writing of the location of any well to be drilled upon a spacing unit including the leased premises on or before fifteen (15) days prior to commencement of operations, and shall advise Lessor in writing the date of completion and/or abandonment of each well drilled within thirty (30) days after completion or abandonment.

## **12.**

### **PRESERVATION OF ECOLOGY OF LEASED PREMISES**

Any overflows or releases affecting the leased premises, including, but not limited to, salt water, mud, chemical, or oil shall be reported immediately to Lessor. Lessee shall not use any of Lessor's water in, on or under the leased premises without the prior written consent of the Lessor.

## **13.**

### **REMOVAL OF EQUIPMENT**

Lessee shall not place any property, equipment or fixtures on the leased premises.

## **14.**

### **ASSIGNABILITY BY LESSEE**

This Lease may be transferred at any time. All transfers by Lessee (including assignments, sales, subleases, or production payment arrangements) must be recorded in the county where the lease premises are located, and the recorded transfer or a copy certified to by the County Clerk of the county where the transfer is recorded must be delivered to the Lessor within sixty (60) days of the execution date. Every transferee shall succeed to all rights and be subject to all obligations, liabilities, and penalties owed to the Lessor by the

original Lessee or any prior transferee of the Lease, including any liabilities to the Lessor for unpaid royalties. No such transfer shall release the Lessee (or any subsequent transferor) from any obligation hereunder.

15.

**NO WARRANTY**

This Lease is given and granted without warranty of title, express or implied, in law or in equity. Lessor agrees that Lessee, at Lessee's option, may purchase or discharge, in whole or in part, any tax, mortgage or other lien upon the leased premises and thereupon be subrogated to the right of the holder thereof, and may apply royalties accruing hereunder toward satisfying same or reimbursing Lessee. It is also agreed that if Lessor owns an interest in the oil and gas under the leased premises less than the entire fee simple estate therein, the royalties to be paid Lessor shall be reduced proportionately, but in no event shall the shut-in royalty amount for a gas well, as provided for in Paragraph 10 hereof, be reduced.

16.

**INDEMNITY**

Lessee shall expressly release and discharge, all claims, demands, actions, judgments, and executions which it ever had, or now has or may have, or assigns may have, or claim to have, against the Lessor or its departments, agents, officers, servants, successors, assigns, sponsors, volunteers, or employees, created by, or arising out of personal injuries, known or unknown, and injuries to property, real or personal, or in any way incidental to or in connection with the performance of the work performed by the Lessee. **The Lessee shall fully defend, protect, indemnify, and hold harmless the Lessor, its departments, agents, officers, servants, employees, board members, trustees, successors, assigns, sponsors, or volunteers from and against each and every claim, demand, or cause of action and any and all liability, damages, obligations, judgments, losses, fines, penalties, costs, fees, and expenses incurred in defense of the Lessor, its departments, agents, officers, servants, employees, board members, trustees, successors, assigns, sponsors or volunteers, including, without limitation, the payment of bonus and/or royalties regarding ownership of the Lessor's mineral interest of the**

leased premises which may be made or asserted by Lessee, its agents, assigns, or any third parties on account of, arising out of, or in any way incidental to or in connection with the ownership and title of the mineral interest of the Lessor under this Lease.

The Lessee shall fully defend, protect, indemnify, and hold harmless the Lessor, its departments, agents, officers, servants, employees, board members, trustees, successors, assigns, sponsors, or volunteers from and against each and every claim, demand, or cause of action and any and all liability, damages, obligations, judgments, losses, fines, penalties, costs, fees, and expenses incurred in defense of the Lessor, its departments, agents, officers, servants, employees, board members or trustees including, without limitation, personal injuries and death in connection therewith which may be made or asserted by Lessee, its agents, assigns, or any third parties on account of, arising out of, or in any way incidental to or in connection with the performance of the work performed by the Lessee under this Lease.

**17.**

**INSURANCE**

Lessee shall provide or cause to be provided the insurance described in the City of Arlington Gas Ordinance for each well drilled under the terms of this Lease, such insurance to continue until the well is abandoned and the site restored. Such insurance shall provide that Lessor shall be a co-insured, without cost, and that said insurance can not be canceled or terminated without thirty (30) days prior notice to Lessor and ten (10) days notice to Lessor for nonpayment of premiums.

**18.**

**RELEASES REQUIRED**

Within thirty (30) days after the partial termination of this Lease as provided under any of the terms and provisions of this Lease, Lessee shall deliver to Lessor a plat showing the production units designated by Lessee, copies of logs showing depths to be retained within each unit, and a fully executed, recordable release properly describing by metes and bounds the lands and depths to be retained by Lessee around each producing well. If this Lease terminates in its entirety, then Lessee shall deliver a complete,

fully executed, recordable release to Lessor within thirty (30) days. If such release complies with the requirements of this section, Lessor shall record such release. If Lessee fails to deliver a release complying with the requirements of this section within thirty (30) days after Lessor's demand therefore, then Lessee shall pay Lessor an amount equal to Five Dollars (\$5.00) per acre per day for each acre of the leased premises that should have been released, beginning with the 30th day after the date of Lessor's request and continuing until such release has been executed and delivered to Lessor. It is agreed that actual damages to Lessor for Lessee's failure to deliver such release are difficult to ascertain with any certainty, and that the payments herein provided are a reasonable estimate of such damages and shall be considered liquidated damages and not a penalty. Furthermore, Lessor is hereby authorized to execute and file of record an affidavit stating that this Lease has expired and the reason therefor, and such affidavit shall constitute prima facie evidence of the expiration of this Lease or any part of this Lease.

19.

#### NOTICES

A. All notices, information, letters, surveys, reports, material, and all other documents, required or permitted to be sent to Lessor by Lessee shall be sent by certified United States mail, postage prepaid, return receipt required, to the following address:

Arlington Independent School District  
Attention: Associate Superintendent of Finance  
1203 W. Pioneer Parkway,  
Arlington, Texas 76013

B. All notices required or permitted to be sent to Lessee by Lessor shall be sent to Lessee by certified United States mail, postage prepaid, return receipt requested to the following address:

*Carriazo Oil & Gas, Inc.*  
*ATTN: V. P. Land*  
*1000 Louisiana St.*  
*Suite 1500*  
*Houston, TX 77002*

C. Service of notices, and other documents, hereunder is complete upon deposit of the mailed material in a post office or official depository under the care and custody of the United States Postal Service,

in a postpaid, properly addressed and certified wrapper.

D. Any party hereto shall have the right to change the name or address of the person or persons required to receive notices, and other documents, by so notifying the other party in writing.

20.

**BREACH BY LESSEE**

Lessee shall conduct Lessee's operations in strict compliance with all of the terms and provisions of this Lease and with all applicable local, state and federal rules and the regulations of any regulatory body having jurisdiction of such operations including, but not limited to, all local, state and federal environmental rules and regulations and applicable city ordinances.

In the event Lessor considers that operations are not, at any time, being conducted in compliance with this Lease, or any implied covenant of this Lease, Lessor shall notify Lessee in writing of the facts relied upon as constituting a breach of any express or implied covenant or obligation of Lessee hereunder and, Lessee, if in default, shall have sixty (60) days after receipt of such notice in which to commence compliance with its obligations hereunder. Failure on the part of Lessee to timely commence efforts to rectify any such breach and to exercise diligence in remedying any such breach shall operate as a forfeiture of this Lease as to the portion thereof effected by such breach; provided that if Lessee, in good faith, disputes any alleged grounds of breach set forth in such notice, Lessee may, within said sixty (60) day period, institute a Declaratory Judgment Action in any District Court in a county where all or part of the said leased premises are located questioning whether it has in fact breached any expressed or implied covenant of this Lease, thereby staying any forfeiture during the pendency of such action. However, in the event that Lessor obtains a final judicial ascertainment in any such proceeding that Lessee is in breach of any covenant hereof, express or implied, then it is agreed that Lessor shall be entitled to a decree providing for cancellation or forfeiture of the Lease in the event such breach is not rectified or commenced in good faith to be rectified by Lessee within thirty (30) days from the date such decrees becomes final.

21.

**LOCATION OF DRILLING ACTIVITY, PIPELINES AND EQUIPMENT**

Seismic operations will be allowed hereunder but only in accordance with the Seismographic Survey License attached hereto as Exhibit "B". No oil, gas or water well drilling or other activity shall be conducted on the surface of the leased premises and no roads, electric lines, pipelines, equipment, or other structures shall be placed on the surface of the leased premises.

22.

**COMPLIANCE WITH LAWS**

Lessee shall comply with all applicable rules, regulations, ordinances, statutes and other laws in connection with any drilling, producing or other operations under the terms of this Lease, including, without limitation, the oil and gas well regulations of the City of Arlington.

23.

**CONFLICT OF INTEREST**

Lessee represents that Lessee; its officers and directors, are not employees or officers of the AISD nor is Lessee (its officers and directors) acting on behalf of any such officer or employee of the AISD.

24.

**TERMS**

All of the terms and provisions of this Lease shall extend to and be binding upon the heirs, executors, administrators, successors and authorized assigns of the parties hereto.

25.

**ENTIRE AGREEMENT**

This Lease states the entire contract between the parties, and no representation or promise, verbal or written, on behalf of either party shall be binding unless contained herein; and this Lease shall be binding upon each party executing the same, regardless of whether or not executed by all owners of the above described land or by all persons above named as "Lessor", and, notwithstanding the inclusion above of other names as "Lessor", this term as used in this Lease shall mean and refer only to such parties



as execute this Lease and their successors in interest.

26.

**CAPTIONS**

The captions to the various paragraphs of the Lease are for convenience only, to be used primarily to more readily locate specific provisions. They shall not be considered a part of the Lease, nor shall they be used to interpret any of the Lease provisions.

27.

**COUNTERPARTS**

This Lease may be executed in multiple counterparts, each of which shall be deemed an original, with the same effect as if the signature thereto and hereto were upon the same instrument.

EXECUTED and effective as of the date of the notarial acknowledgment of the Lessor's execution.

**LESSOR: ARLINGTON INDEPENDENT SCHOOL DISTRICT-**

BY: Michael Glaspie  
NAME: Michael Glaspie  
TITLE: Vice President

ATTEST:

BY: Mike O'Donnell  
NAME: Mike O'Donnell  
TITLE: Asst. Secretary

**LESSEE: CALLIZO OIL & GAS, INC.**

BY: Andrew R. Agosto  
NAME: ANDREW R. AGOSTO  
TITLE: VICE PRESIDENT

**ACKNOWLEDGEMENTS**

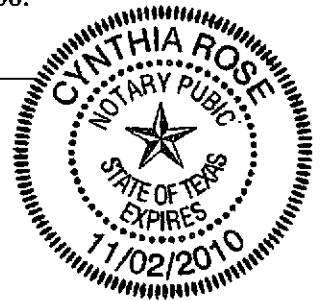
STATE OF TEXAS           §  
                                     §  
COUNTY OF TARRANT   §

Before me, Cynthia Rose, the undersigned notary public, on this day personally appeared Michael Gaspie, the Vice President of the Arlington Independent School District, who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed that instrument for the purposes and consideration therein expressed, and in that capacity therein stated.

Given under my hand and seal of office this 12<sup>th</sup> day of May, 2008.

Cynthia Rose  
Notary Public, State of Texas

My Commission Expires: 11-02-10  
Commission Number: 12589871-4



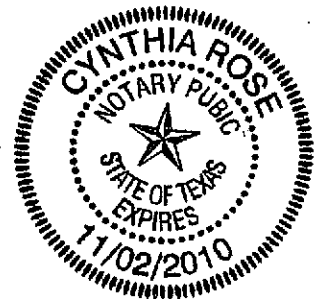
STATE OF TEXAS           §  
                                     §  
COUNTY OF TARRANT   §

Before me, Cynthia Rose, the undersigned notary public, on this day personally appeared Mike D'Donnell, the Asst. Secretary of the Arlington Independent School District, who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed that instrument for the purposes and consideration therein expressed, and in that capacity therein stated.

Given under my hand and seal of office this 12<sup>th</sup> day of May, 2008.

Cynthia Rose  
Notary Public, State of Texas

My Commission Expires: 11-02-10  
Commission Number: 12589871-4

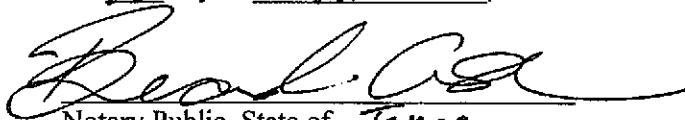


STATE OF TEXAS       §  
                                     §  
COUNTY OF HARRIS   §

Before me, Brandi Cruse, the undersigned notary public, on this day

personally appeared Andrew R. Agosto the Vice President, on behalf of Carnizo Oil & Gas, Inc. who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed that instrument for the purposes and consideration therein expressed, and in that capacity therein stated.

Given under my hand and seal of office this 26 day of June, 2008.

  
Notary Public, State of Texas

My Commission Expires: 4-12-11  
Commission Number: \_\_\_\_\_



# Exhibit "A"

Type	PROPERTY	ACREAGE	LEGAL DESCRIPTION OF PROPERTY	STREET ADDRESS
1	Arlington HS	40.93	Lot 18, John Stephens Addition	818 W. Park Row Dr. Arlington, TX 76013
1	Bailey JH	14.32	Lot 1, W.J. Barry Addition	2411 Winewood St. Arlington, TX 76013
4	Carter JH	14	Lot 21, John Huitt Addition	701 Tharp St. Arlington, TX 76010
8	Blanton Elem	11.6	Lot 18, J. Hyden Addition	1900 S. Collins St. Arlington, TX 76010
24	Hill Elem	15.5	Tracts 4 & 5, Fuller Addition	2020 W. Tucker Blvd. Arlington, TX 76013
42	South Davis Elem	9.43	Lot 40, J. Stevens Addition	2001 S. Davis Dr. Arlington, TX 76013
45	Swift Elem	8.96	Lot 5 S, O. Medlin Addition	1101 S. Fielder Rd. Arlington, TX 76013
5	Admin Annex 4	2		1141 W. Pioneer Pkwy Arlington, TX 76013
	<b>AISS Group 8</b>	<b>116.74</b>		

EXHIBIT "B"

THE STATE OF TEXAS    \$  
                              \$  
COUNTY OF TARRANT    \$

SEISMOGRAPHIC SURVEY LICENSE

This Contract is made and entered into this 12 day of May, 2008, between the **ARLINGTON INDEPENDENT SCHOOL DISTRICT** (hereinafter "AISD") and **CARRIZO OIL & GAS, INC.** (hereinafter "LICENSEE").

W I T N E S S E T H:

WHEREAS, AISD owns the property in Tarrant County, Texas ("PROPERTY") subject to this License; and

WHEREAS, LICENSEE wishes to conduct a seismic survey for sub-surface evaluation related to the exploration of natural gas in and upon a portion of the PROPERTY as indicated on the attached **Exhibit "A"**, incorporated herein and made a part hereof, and AISD is willing to permit the survey upon the terms and conditions hereinafter stated; NOW THEREFORE

FOR AND IN CONSIDERATION of Twenty Five (\$25.00) Dollars (\$USD) per acre in hand paid and the covenants of LICENSEE herein contained, AISD grants this license, beginning on the date first written above and terminating upon the completion of the seismographic survey or on \_\_\_\_\_, whichever occurs first.

1. Licensee's operations shall be conducted in accordance with the highest standard industry practices and in a prudent and careful manner.

2. LICENSEE, ON BEHALF OF ITSELF, ITS SUCCESSORS AND ASSIGNS, CONTRACTS TO RELEASE, HOLD HARMLESS AND INDEMNIFY AISD AND THE AISD'S DIRECTORS, REPRESENTATIVES, EMPLOYEES, AGENTS, CONTRACTORS AND CONSULTANTS, FROM AND AGAINST ALL CLAIMS, LOSSES, EXPENSES, COSTS, DAMAGES, DEMANDS, JUDGMENTS, CAUSES OF ACTION, SUITS, AND LIABILITY IN TORT, CONTRACT OR ANY OTHER BASIS OF EVERY KIND AND CHARACTER WHATSOEVER INCLUDING, BUT NOT LIMITED TO, ALL REASONABLE COSTS OF DEFENSE, SUCH AS FEES AND CHARGES OF ATTORNEYS, EXPERT WITNESSES, AND OTHER PROFESSIONALS INCURRED BY AISD WHICH MIGHT IN ANY WAY ARISE OUT OF LICENSEE'S OR ITS SUCCESSORS AND ASSIGNS OPERATIONS IN CONDUCTING SAID SEISMOGRAPHIC SURVEY. IN THE EVENT OF LITIGATION, VENUE MUST BE

**IN TARRANT COUNTY.**

3. The surface of the ground shall be restored as near as reasonably possible to the same condition as it was prior to LICENSEE's entry on the PROPERTY. LICENSEE shall not cross gullies, creeks or streams without prior consent of AISD.

4. (Paragraph intentionally deleted)

5. LICENSEE agrees to conduct its operations so as to create no impact on water quality or public safety.

6. LICENSEE will provide AISD insurance as provided in the Arlington Gas Drilling and Production Chapter of the AISD's Code of Ordinances. LICENSEE will deliver to AISD prior to operations a Certificate of Insurance evidencing the policies and its conditions. LICENSEE shall also ensure that any subcontractor maintains insurances identified in the AISD's Gas Drilling and Production Chapter, including but not limited to listing the AISD as additional insured.

7. LICENSEE, or its successors and assigns, shall obey any and all federal, state and local laws, rules or regulations which may be applicable to their operations. Specifically, LICENSEE agrees, if necessary, to obtain written approval of its operations from the Texas Parks and Wildlife Department, Texas Health Department, City of Arlington and any other applicable agencies.

8. The geophysical operations will be accomplished upon the PROPERTY by utilizing "Vibroiseis" equipment to provide the source signal. In absolutely no case will pentolite, dynamite or any other type of explosive be used within or upon the PROPERTY. Unless otherwise described herein, the attached Exhibit 'B' is a general summary of the seismic survey operations to be employed. A AISD employee or agent will be allowed to accompany seismic survey field personal to help insure minimal intrusion and disturbance of vegetated areas within the AISD property. No power generation source is allowed within 300 feet of any building or residence, or within 600 feet of any water well.

9. LICENSEE will notify AISD Associate Director of Finance or agent for AISD and City of Arlington Gas Well Inspector at least 15 days before commencement of operations and consult with and keep all officers informed as to the nature, timing and scope of all operations to be conducted by LICENSEE

on the PROPERTY.

10. All work shall be conducted during hours and days as designated by the Associate Director of Finance or Agent for AISD. Wet weather, flood conditions, and soil conditions may prohibit access by LICENSEE to the PROPERTY. In the event of adverse weather conditions, the Associate Director of Finance or Agent for AISD may temporarily halt all geophysical operations.

11. Entrance to and travel within the PROPERTY shall be over established routes or as authorized by the Associate Director of Finance or Agent for AISD. Geophysical lines shall be accessed by existing roads. Additional service roads shall not be constructed unless authorized in writing in advance by the Associate Director of Finance or Agent for AISD. Any existing roads, bridges, levees, water channels, culverts, concrete pedestrian trails or other physical features that are damaged shall be restored to preconstruction site conditions upon completion of the geophysical survey by LICENSEE. AISD shall determine conditions and reasonable extent of restoration required. All restoration costs shall be borne by LICENSEE.

12. Fences must not be cut for any reason, except as hereinafter provided. Existing gates must be used unless the existing gate will not accommodate the width of the vibroseis unit. In such case, LICENSEE may cut the fence to accommodate the vibroseis unit but shall promptly repair such fence to the same condition as it was prior to LICENSEE's entry on the PROPERTY. Gates shall remain closed, unless otherwise authorized by the Associate Director of Finance or Agent for AISD. Where access to the PROPERTY is through a locked gate, LICENSEE may use its own lock and shall provide gate security at all times. Only authorized LICENSEE employees or agents shall be allowed access to the PROPERTY. All LICENSEE vehicular and employee activities shall be directly related to the geophysical operation.

13. Water-holding facilities, dams, levees, water control structures, creeks, sloughs, tanks, or springs must not be disturbed or altered with any activity.

14. LICENSEE must not travel on the PROPERTY or its roads during wet weather, as determined by the Associate Director of Finance or Agent for AISD.

15. Firearms and fishing are prohibited in all circumstances.

16. LICENSEE shall be directly responsible to AISD, including but not limited to structures and their contents, athletic facilities, playgrounds and equipment thereon, parking lots and drives, signs and lighting structures. LESSEE shall prevent any damage to any aquifers, and shall restore the surface of the PROPERTY to the same condition as existed before LICENSEE's operations began. If LICENSEE fails to perform its obligations hereunder, AISD may do so and LICENSEE will reimburse AISD for its reasonable costs.

17. Nothing in this license is intended or should be construed as absolving LICENSEE of any legal claim for damages AISD may be entitled to assert resulting from negligence or excessive or wrongful conduct of LICENSEE or any agent, employee, contractor, or subcontractor of LICENSEE, and no expressed or implied waiver of any claim is intended.

18. LICENSEE affirmatively represents that it is acting on behalf of the mineral owners or their agents, lessees, or assignees.

19. AISD retains the right to require reasonable alternatives to disturbance in high resource value areas. All reasonable precautions, including consultation with the Associate Director of Finance or Agent for AISD, shall be taken to avoid disturbance of fish, wildlife, or critical plant resources during geophysical survey operations. Particular caution shall be taken to avoid and protect sensitive habitats, such as wetlands and bottomland hardwoods. Activities affecting these species and habitats may require coordination with other state and federal agencies.

20. The speed limit for vehicular traffic on the PROPERTY shall not exceed 10 miles per hour.


21. AISD makes no warranty as to its ownership of either the mineral estate or the surface estate for the lands described and shown on **Exhibit "A"**. LICENSEE assumes all responsibility for determining and acquiring permission to conduct its operations from the correct parties.

22. This agreement is binding on LICENSEE, its successors and assigns.

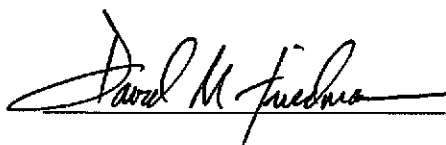
**LESSEE:**



CARRIZO OIL & GAS, INC.


By:   
Name: ANDREW RO AGOSTO  
Title: VICE PRESIDENT

WITNESS:




LESSOR:

**Arlington Independent  
School District**

BY:   
Name: Michael Glaspie  
Title: Vice President

ATTEST:

BY:   
Name: Mike O'Donnell  
Title: Asst. Secretary

**Acknowledgment**

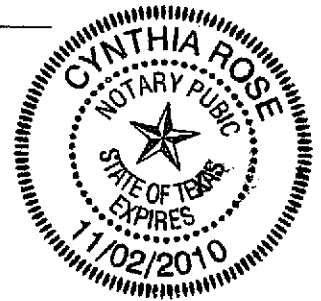
THE STATE OF TEXAS §  
COUNTY OF TARRANT §

BEFORE ME, Cynthia Rose the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Michael Glaspie + Mike O'Donnell, the Vice President + Asst. Secretary of the Arlington Independent School District who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for the purposes and consideration therein expressed and in the Arlington Independent School District therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 12<sup>th</sup> day of May, 2008.

11-02-10  
My Commission Expires

Cynthia Rose  
Notary Public, State of Texas  
Cynthia Rose  
Notary's Printed Name



**Acknowledgment**

THE STATE OF TEXAS §  
COUNTY OF TARRANT §

BEFORE ME, Brandi Cruse the undersigned authority, a Notary Public in and for the State of Texas, on this day personally appeared Andrew R. Agosto, the Vice President of the Carnizo Oil & Gas, Inc. who is known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed same for the purposes and consideration therein expressed and in the Arlington Independent School District therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 26 day of June, 2008.

4-12-11  
My Commission Expires

Brandi Cruse  
Notary Public, State of Texas  
Brandi Cruse  
Notary's Printed Name



**Exhibit "A"**  
**Property Description**

Map	Property	Acreage	Description
1	Arlington HS	40.93	Lot 18, John Stephens Addition
1	Bailey JH	14.32	Lot 1, W.J. Barry Addition
4	Carter JH	14	Lot 21, John Huitt Addition
8	Blanton Elem	11.6	Lot 18, J. Hyden Addition
24	Hill Elem	15.5	Tracts 4 & 5, Fuller Addition
42	South Davis Elem	9.43	Lot 40, J. Stevens Addition
45	Swift Elem	8.96	Lot 5 S, O. Medlin Addition
5	Admin Annex 4	2	
	<b>AIISD Group 8</b>	<b>116.74</b>	